

Where Do I Find?

Additional Information	13	Paying Your Taxes	9
Assembling Your Tax Return	10	Privacy Notice	13
CA Sch W-2	29	Qualifying to use Form 540 2EZ	4
Direct Deposit	10	Steps to Determine Filing Requirements	4
Filing Status Check List	6	Use Tax	13
Form FTB 3519, Automatic Extension for Individuals	23	Voluntary Contribution Fund Descriptions	11
Form 540 2EZ, California Resident Income Tax Return 2006	25	What's New and Other Important Information for 2006	3
Frequently Asked Questions	5	2EZ Table	
Instructions for Form 540 2EZ	6	Single	15
Need Assistance? We're Here to Help	14	Married Filing Jointly or Qualifying Widow(er)	21
Nonrefundable Renter's Credit	12	Head of Household	42

What's New and Other Important Information for 2006

Capital Gains Distributed from Mutual Funds

For taxable years beginning on or after January 1, 2006, taxpayers can report capital gain distributions from mutual funds on Form 540 2EZ, if the amount reportable during the taxable year for federal and state purposes is the same.

Registered Domestic Partners

Beginning with the 2007 tax year, registered domestic partners are required to file a joint California return or separate returns using the same rules applicable to spouses. If you are a registered domestic partner, you may choose to modify your withholding or estimated tax payments for 2007 in anticipation of this change.

Direct Deposit of Refund - More Choices

For taxable years beginning on or after January 1, 2006, individual taxpayers may request that his or her refund be electronically deposited into more than one checking or savings account. This allows more options for managing your refund. For example, you can request part of your refund to go to your checking account to use now and the rest to your savings account to save for later.

California Sch W-2

For taxable years beginning on or after January 1, 2005, you can use the CA Sch W-2 to report certain W-2 information. Attach CA Sch W-2 to Side 2 of your income tax return. You can keep your W-2's for your own records. This is an optional form, as you can still attach your W-2's to the front of your return if you choose not to complete the CA Sch W-2.

Voluntary Contributions

For taxable years beginning on or after January 1, 2006, you may make contributions to the California Sea Otter Fund.

Mandatory e-file

California law requires individual income tax returns prepared by certain tax practitioners to be e-filed. This law saves money and resources for the state. If you have a tax practitioner prepare

your return, they may be required to e-file it. You have the right to choose not to e-file, however, we encourage you to take advantage of everything e-file has to offer.

Estimated Tax Payment Penalty

You may not be subject to estimated tax payments if your California withholding is enough during each payment period to total either 90% of your current tax year liability or 100% of your prior year tax liability (110% if your income is \$150,000 or more), **or** you paid enough through withholding to keep the amount you owe with your return under \$200 (\$100 if married filing separately). However, if you did not pay enough through withholding, you may have an underpayment penalty. Get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries, for more information.

Note: If you owe an underpayment penalty, you cannot use Form 540 2EZ. Use Form 540A, or Form 540; these forms are available through CalFile and e-file.

Head of Household Filing Status

Beginning in 2005, for a child to qualify as your foster child for head of household purposes, the child must be placed with you by an authorized placement agency or by order of a court.

If you are unmarried, your unmarried child no longer qualifies you for head of household filing status if he or she is 19 years of age or older, is not a student, and has gross income equal to or greater than the federal exemption amount (\$3,300 in 2006). In addition, if you are unmarried, your unmarried child also no longer qualifies you for the status if he or she is under 19 years of age, or a student under 24, and pays more than half of his or her own support.

Dependent Exemption Credit

You are no longer entitled to a dependent exemption credit for your unmarried child who is under 19 years old or a student under 24 years old who pays more than half of his or her own support.